

WHITEPAPER

Neobanks



angus reid 

Neobanks: The Transaction Undergoes a Transition

The fintech revolution is upending traditional financial models and promising to shift the landscape within several market sectors. Services designed for today's digitally savvy consumers are providing alternatives that are chipping away at conventional industries, including banking, insurance, mortgage and real estate, wealth management and more.

Designed with measures of speed, convenience, affordability, and accessibility in mind, these options are migrating from the margins to the mainstream as their credibility grows. What were once untouchable sectors are now in the crosshairs of these upstarts. Businesses who disregard the momentum of this movement and dismiss their consumer appeal do so at their own peril.

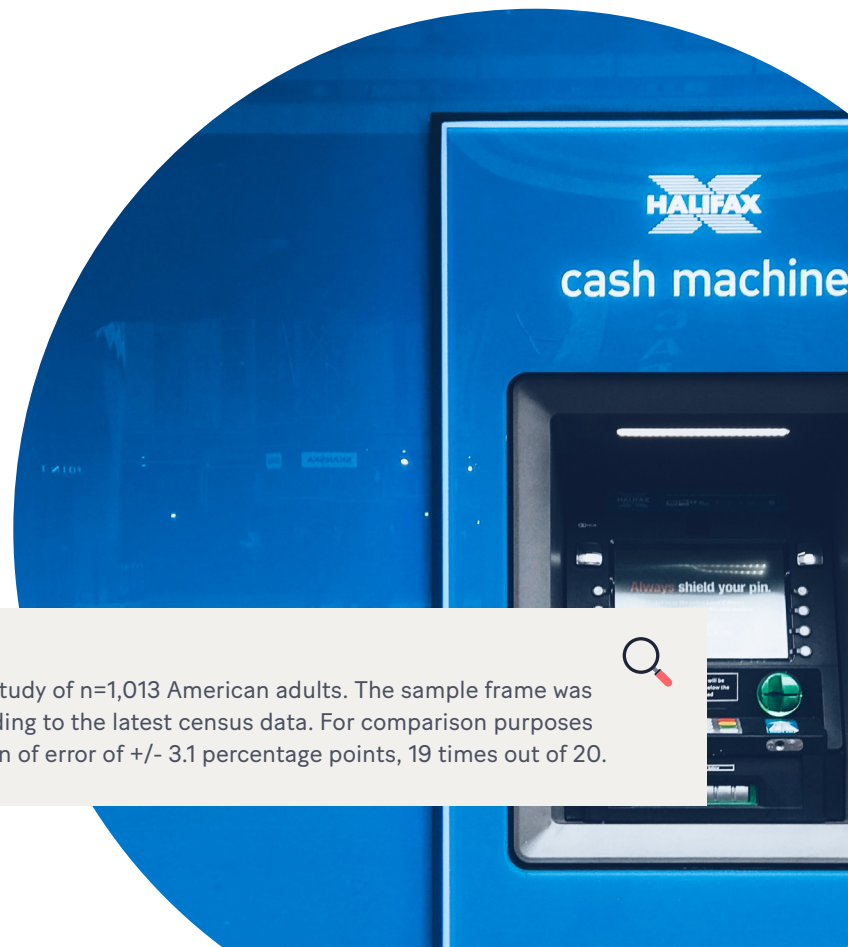


Disrupting the Balance

At the vanguard of this trend is the rise of the neobank. As a purely online incarnation, neobanks are rewriting the ways we bank. They provide the breadth of services many consumers need while maintaining easy 24/7 access and reasonable fee structures. Add to that a branch-free range of competitors crowding the field, and consumers have ample choice in the market.

Traditional banks may remain the stalwarts of stability, security, and predictability, but their fee model has grown irksome for those actively questioning the status quo. This is especially true for a broadening demographic accustomed to conducting their lives online. The pandemic has only strengthened that proposition.

Has the neobank's moment for greater adoption arrived? Angus Reid takes account of some key issues.



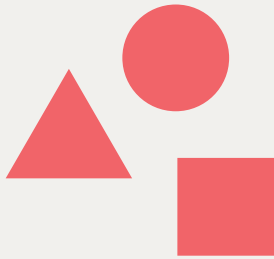
Methodology

From January 13-17, 2022, Angus Reid fielded an online study of n=1,013 American adults. The sample frame was balanced and weighted on age, gender and region according to the latest census data. For comparison purposes only, a probability sample of this size would yield a margin of error of +/- 3.1 percentage points, 19 times out of 20.



Familiarity and Usage

A little over half (54%) of Americans are aware of neobanks. By comparison, even after seeing a description of neobank, 46% have never heard of them.



Some of the more prominent names in the neobank industry include Chime (56% of Americans with a neobank account use this service), Varo (20%), and Acorns (18%).

Entrust? A Must.

Trust is the foundation of any banking relationship. Clients need the assurance that their funds are securely managed. For some, that's the comfort of being able to visit a brick-and-mortar location to conduct their banking. Three-in-five (61%) Americans trust traditional banks, while only one-in-ten (10%) distrust them. Among those familiar with Neobanks, 31% said they earned their trust compared while 26% expressed distrust.

Giving Credit

On the issue of who performs specific banking functions better, many respondents perceived there wasn't much difference between traditional banks and neobanks. More telling for the other portion of respondents was the gap that separated the two competing interests on specific issues. The answers clearly demarcated where their respective strengths and weaknesses reside.

Neobanks outperformed traditional institutions on matters of customer fees (45% vs. 17%), competitive interest rates (30% vs. 19%) and, not surprisingly, the mobile app feature (34% vs. 15%). On the other hand, traditional banks commanded more confidence on matters of company stability (49% vs 8%), customer support (38% vs 19%), breadth of services offered (36% vs. 12%), and security (39% vs. 11%).



Making Change

Currently, 7% of non-neobank users indicated they would probably or definitely consider switching their primary financial institution to a neobank, while 23% indicated they would maybe consider a switch.

“Neobanks are definitely an emerging force.” Says Demetre Eliopoulos, SVP of Public Affairs, “While many are still completely unaware of their existence, those who are, are being quickly persuaded about its merits. At a time where customer fees and interest rates are top priorities for many Americans, neobanks could be seen as a welcome alternative.”

Final Tally

Where people stand on neobanks ranges across a broad spectrum. Still, given the changing perceptions of cash and currency, it's clear that who's entrusted to care for money is encountering a provocative and inevitable period of disruption. Care to learn more about where the money trail may lead? Angus Reid is ready to pose the questions, evaluate the answers and deliver the guidance for decision makers.

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**QUESTIONS THAT MATTER,
ANSWERS THAT COUNT**

hello@angusreid.com

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